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DEVELOPMENT OF TRADE AND INDUSTRIAL CO-OPERATION

Note by the Executive Secretary

SUMMARY

The present note contains an account of the development of intraregional trade and industrial co-operation, and of the main activities of the ECE in these fields, since the forty-first session. It contains sections on recent trends in the development of trade and industrial co-operation (paras. 2-13) on the work of the Committee on the Development of Trade (paras. 14-28) and on the work of the other Principal Subsidiary Bodies in this field (paras. 29-31).

Introduction

1. Detailed information on ECE activities relating to trade and industrial co-operation is provided in the report of the Committee on the Development of Trade (ECE/TRADE/157) and in the reports of the other Principal Subsidiary Bodies of the Commission whose activities touch upon this sector. Some aspects of intraregional trade and industrial co-operation are also discussed in the Report by the Executive Secretary on the Commission's activities and implementation of priorities in 1986 (E/ECE/1133).

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Recent trends in the development of trade and industrial co-operation

(a) Trade

2. Intraregional trade and, in particular, trade between ECE member countries having different economic and social systems, stood up somewhat better than might have been anticipated to the unsettled market conditions prevailing in the first half of 1986.

3. Trade in both directions expanded in volume and value terms, but imports to eastern countries grew at a higher rate than their exports to western countries. Most planned economy countries encountered worsening terms of trade as a result of falling prices for many commodities, notably fuels.

4. Most eastern countries improved their export performance on western markets - mainly as a result of increased volume and partly as a recovery from the abnormal first half of 1985, particularly as regards fuels. The value of the USSR's exports to the west rose by 5%, and that of the other European CMEA countries exports by 16% in the first half of 1986.

5. Although the USSR's imports from the west declined by 16% in volume (partly owing to the good harvest), their value in terms of US dollars did not fall in the same period. Eastern Europe's imports from the west continued to expand, by some 6% in volume and considerably faster in value.

6. The continuous improvement in the east-west financial climate, which began in 1983, continued in 1986. All eastern countries experienced a fall in interest rates on their outstanding obligations together with improvements in the terms of new credits. A detailed analysis of these developments is to be found in the Economic Bulletin for Europe, vol. 38, No. 4, 1986.

7. The year 1986 saw continued progress in the ECE region's output and trade at rates which compared quite favourably with earlier years. At the same time policy makers actively sought to agree on new policy initiatives leading to an improved trading environment. The launching of a new "Uruguay Round" of Multilateral Trade Negotiations is an example. Another is the new initiatives aimed at establishing formal relations between the European Communities, on the one hand, and the CMEA and its member States, on the other.

(b) Industrial co-operation

8. The Final Act of the CSCE and the Madrid Concluding Document contain provisions calling for the establishment of more favourable conditions for overcoming obstacles to east-west industrial co-operation. Those provisions call, inter alia, for the intensification of economic, scientific and technological exchanges between east and west. A resurgence of east-west industrial co-operation has been noted during the past two years as measured by the number of new contracts reported to have been concluded, expanding into new sectors such as biotechnology and engineering services.

9. Tendencies in east-west industrial co-operation at the enterprise level were traced statistically in secretariat studies prepared for the thirty-fifth session of the Committee on the Development of Trade. The rising trend in the number of industrial co-operation contracts concluded between enterprises and organizations in planned-economy and market-economy countries is reflected in

the sample of contracts registered by the secretariat. These amounted to 895 contracts (1,140 if Yugoslavia's contracts are included) at end October 1985 and totalled 972 contracts (1,248 with Yugoslavia) at end July 1986 (TRADE/R.515). The distribution of these contracts by branch of industry shows that industrial co-operation remains concentrated in those industries in which technological progress is of particular importance. Thus, over 70% of the total number of contracts recorded relate to the chemicals industry (21% of the sample, excluding Yugoslavia); mechanical engineering (18.7% if machine tools are included); the electrical and electronic industries (15.4%); transport equipment (11.1%); and metallurgy (7.0%).

10. Analysis of the sample of contracts reveals a fairly wide range of forms of industrial co-operation within which co-production based on specialization of the partners is the most frequent (41.2% of the cases studied). Next come joint ventures (17.0%) and two well-established forms of co-operation, closely linked with the transfer of technology, namely the supply of plant or equipment (15.2%) and the granting of licences (12.1%) with repayment in both forms consisting in full or in part of resulting products. Joint tendering of joint projects (including tripartite co-operation agreements) account for 11.4% of the total. Sub-contracting is the least widely practised among the various forms of industrial co-operation.

11. The trend, already observed in 1985, for co-production and specialization agreements to evolve into joint ventures in some countries of the region is now accelerating and includes new branches of technology, such as energy saving equipment and techniques, pollution control equipment and automated manufacturing equipment.

12. The adoption in 1986 of joint venture legislation in Poland, guidelines in Czechoslovakia and revised taxation rules in Hungary affecting joint ventures was followed by the announcement by the USSR authorities of their intention to introduce similar legislation in the near future.

ECE activities in trade and industrial co-operation

13. The work of the Commission in the field of trade and industrial co-operation has continued to be directed towards measures designed to develop and promote intraregional trade and industrial co-operation. These activities are undertaken, for the most part, by the Committee on the Development of Trade but they are also carried out by other Principal Subsidiary Bodies of the Commission. The outstanding achievement of the Committee in 1986 was the agreement (described in paragraphs 23 and 24) reached by the Working Party on the Facilitation of International Trade Procedures on a universal syntax for the electronic transmission of trade messages, which is expected to yield very considerable economies to all enterprises and institutions engaging in international trade.

Activities of the Committee on the Development of Trade

(a) Trade promotion, trade problems and related issues

14. The secretariat has continued its series of monographs on the experience of individual ECE countries in the development of intraregional trade. At its thirty-fifth session, the Committee had before it a country profile of Greece (TRADE/R.511/Add.1). Others in the series - which now encompasses 21 countries - are under preparation.

15. In the field of development of market information, marketing techniques and improved business contacts the Committee considered material prepared by the secretariat on proposed themes for future seminars; on the marketing aspects of east-west industrial co-operation; on advertising mix, including the selection and application of promotional media; and on the role and function of public relations techniques in east-west trade promotion and marketing (TRADE/R.518 and Adda.). The Committee deferred decision on this subject to its next session.

16. The Committee devoted attention to trade problems specific to the member countries of the ECE which are developing from the economic point of view. The Committee has requested the secretariat to prepare a study on measures providing favourable commercial treatment to these member countries.

17. In 1985 the Committee invited member countries, ECE Principal Subsidiary Bodies and relevant international organizations to continue their examination of the notifications in the Inventory on obstacles of all kinds to the development of trade, which had been or would be addressed to them by the Committee. Responding to this request, a number of Governments provided additional information on obstacles to intraregional trade. During 1986 eight ECE bodies 1/ were informed of the Inventory notifications falling within their respective spheres of activity. At its thirty-fifth session the Committee had before it information on the results of this exercise as well as some suggestions by the secretariat concerning further action to be undertaken (TRADE/R.513).

18. A second revised version of the Inventory was before the Committee at its thirty-fifth session (TRADE/R.390/Rev.1/Add.1 to 27) . The status of this updated and consolidated version of the Inventory follows:

- The Inventory contained 374 notifications;

- Of these 374 notifications, 327 were covered by replies (273 entirely and 54 partly, i.e. by only some of the countries in respect of which difficulties have been notified);

- In the case of 47 notifications, no reply has as yet been received. It should be noted, however, that 13 of those notifications concern "unspecified" countries and 7 others represent new notifications to which the countries concerned have not yet had time to reply.

19. Compensation trade in the ECE region, and more specifically the possible preparation of a guide on the subject, was examined by the Committee on the basis of documents submitted to the twenty-seventh and twenty-eighth sessions of the Group of Experts on International Contract Practices in Industry (TRADE/GE.1/R.33 and Add.1, and R.34). Although differing views were expressed on this matter, the Committee agreed finally to recommend to the

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1/ Meeting of Government Officials Responsible for Standardization Policies; Inland Transport Committee; Working Party on Engineering Industries and Automation; Committee on Agricultural Problems; Conference of European Statisticians; Chemical Industry Committee; Timber Committee; and Steel Committee.

Group of Experts to prepare a "Guide on legal aspects of the new forms of industrial co-operation; joint ventures and joint development of production and co-ordinated marketing of products, on the understanding that the Guide will include an examination of compensation trade as one of its aspects".

20. With respect to economic, commercial and administrative information relevant to the development of trade, the Committee had an exchange of views on the outcome of the Special Meeting of Experts on Prospects for East-West Trade in the 1980s held from 24 to 27 March 1986 (TRADE/AC.22/2) and of the Symposium on East-West Business Opportunities and Trade Prospects held in Thessaloniki, Greece from 8 to 11 September 1986 (TRADE/SEM.8/2). Appreciation was expressed of the valuable contribution by the Government of Greece to the organization of the Symposium. A number of suggestions were made regarding improving the format and subjects of possible further meetings of a similar nature. In the interest of ensuring that future events continue to attract as full participation as possible by the business community, the Committee invited the secretariat:

- To consult with member Governments of the ECE and business communities and establish what interest now exists in such meetings;

- To examine the possible location of future events;

- To consider the timing and duration of such events;

- To consider the optimum numbers and levels of participants;

- To consider the possibility of using expert/professional assistance;

- To consider how decision-taking within the Committee on the subject matter of a mixed event might be improved.

(b) Industrial co-operation

21. The prospects for expanded east-west industrial co-operation at the enterprise level were examined in studies prepared for the Symposium on East-West Business Opportunities and Trade Prospects (TRADE/SEM.8/R.3/and Add.1, R.4 and R.6). At its thirty-fifth session the Committee also had before it information on emerging prospects for east-west industrial co-operation in light of the five-year plans (1986-1990) in eastern Europe (TRADE/R.516). It requested the secretariat to consult, through member Governments, with the business operators who are interested in new forms of industrial co-operation, including joint ventures, in order to identify what kind of economic and commercial information they think will be relevant for the promotion of these new forms of co-operation.

22. In view of the rapidly expanding interest in the joint venture form of east-west industrial co-operation throughout the ECE region, the secretariat has also been asked by the Committee to prepare a study on the economic, financial and practical aspects of east-west joint ventures, which will be partly based on contributions by member Governments. A purpose of this study will be to determine whether current legislation is sufficiently flexible to permit partners to negotiate agreements which incorporate safeguard clauses and other provisions permitting the degree of control desired by minority partners.

(c) Facilitation of international trade procedures

23. An account of progress made and results achieved during 1986 by the Working Party on Facilitation of International Trade Procedures was presented to the Committee (TRADE/R.519). Delegations expressed their high appreciation of the results achieved, in particular the agreement on a universal syntax for electronic transmission of trade data, which was considered a major step forward in the facilitation of international trade procedures.

24. The important development work which is still necessary to permit the practical implementation of the universal syntax was given high priority by the Committee.

25. With respect to legal problems linked to the replacement of paper documents by electronic data transmission, the Committee noted with appreciation the progress made in the preparation of uniform rules of conduct for interchange of trade data by teletransmission (UNCID).

(d) International contract practices in industry

26. The Group of Experts on International Contract Practices in Industry reached agreement on the Guide on drawing up international contracts for services relating to maintenance, repair and operation of industrial and other works, in its English version. The secretariat was requested to adjust, as required, the French and Russian versions to conform to the English text and arrange for publication of the Guide at an early stage.

27. The Group of Experts, having taken note of the recommendation of the Committee on the Development of Trade at its thirty-fifth session (December 1986), agreed that its next guide would deal with legal aspects of the forms of industrial co-operation; joint ventures and joint development of production and co-ordinated marketing of products, and that the guide would include an examination of compensation trade as one of its aspects. The secretariat was requested to prepare initial documentation on this topic for submission to the Group of Experts at its thirtieth session (July 1987).

Activities of the Commission's other Principal Subsidiary Bodies

28. Sixty-two trade-related projects are being carried out by other Principal Subsidiary Bodies. The majority of these projects relate to trade trends, policies and problems, market information, industrial co-operation, and international trade procedures and practices. Some of these projects are carried out in close co-operation with the Committee.

30. The overall economic perspectives to the year 1990 in preparation by the Senior Economic Advisers to ECE Governments is in an advanced stage of preparation with a target date for completion in 1988. The study describes, inter alia, the impact of the development of trade on economic growth. A short summary and extracts from this document covering main features and assumptions as well as the main results of initial projections in the field of international trade development were included in the background material for the Special Meeting of Experts on Prospects for East-West Trade in the 1980s, which was held in March 1986. This material was also used for the preparation of the Symposium on East-West Business Opportunities and Trade Prospects.

31. Close co-operation is maintained among the Principal Subsidiary Bodies on projects related to trade practices and procedures, e.g. in the fields of facilitation of trade, transport and standardization. The Inland Transport Committee continued to contribute to trade facilitation work through legal and technical instruments. Work covered arrangements for the elimination of technical barriers to international trade of motor vehicles and their equipment and parts, and the harmonization of regulations and standards relating to the international transport of perishable foodstuffs and facilitation of its operations.